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**BEFORE THE ARIZONA CORPORATION COMMISSION**

WILLIAM A. MUNDELL  
CHAIRMAN  
JIM IRVIN  
COMMISSIONER  
MARC SPITZER  
COMMISSIONER

Arizona Corporation Commission

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IN THE MATTER OF THE GENERIC  
PROCEEDINGS CONCERNING ELECTRIC  
RESTRUCTURING ISSUES.

Docket No. E-00000A-02-0051

IN THE MATTER OF ARIZONA PUBLIC  
SERVICE COMPANY'S REQUEST FOR A  
VARIANCE OF CERTAIN REQUIREMENTS  
OF A.A.C. R14-2-1606.

Docket No. E-01345A-01-0822

IN THE MATTER OF THE GENERIC  
PROCEEDING CONCERNING THE  
ARIZONA INDEPENDENT SCHEDULING  
ADMINISTRATOR.

Docket No. E-00000A-01-0630

IN THE MATTER OF TUCSON ELECTRIC  
POWER COMPANY'S APPLICATION FOR A  
VARIANCE OF CERTAIN ELECTRIC  
COMPETITION RULES COMPLIANCE  
DATES.

Docket No. E-01933A-02-0069

IN THE MATTER OF THE APPLICATION  
OF TUCSON ELECTRIC POWER  
COMPANY FOR APPROVAL OF ITS  
STRANDED COST RECOVERY.

Docket No. E-01933A-98-0471

**RUCO's Response to Request for Order to Show Cause**

Pursuant to Chief Administrative Law Judge Farmer's order from the bench on March 20, 2002, RUCO responds to Panda Gila River, L.P.'s ("Panda") Request for Order to Show Cause ("Motion"). Panda proposes to stay this docket's procedural schedule so that APS might issue and evaluate responses to a Request for Proposal ("RFP") to supply at least half of APS's projected Standard Offer service requirements.

1 **Discussion**

2 RUCO, in testimony filed in this proceeding, agrees that current and foreseeable  
3 conditions do not support requiring APS to seek competitive bids for 50 percent of its Standard  
4 Offer requirements. RUCO's testimony concludes that the fuel mix of APS's current  
5 generation will provide lower and more stable rates than competitive bidding and that  
6 independent power producers typically will have higher costs of capital requiring bids above  
7 the price under the PPA.

8 The transition to competitive wholesale markets is potentially a very lengthy process.  
9 Requiring APS to put its Standard Offer power requirements out to bid immediately is unwise,  
10 given the uncertain outcome of that transition. The transition will have to deal with the following  
11 conditions, among many others:

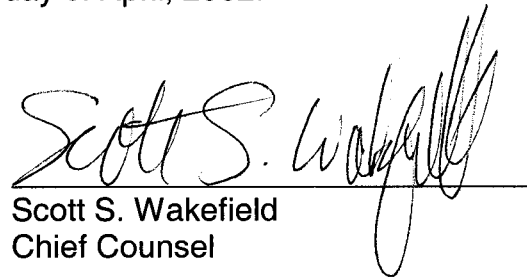
- 12 1. How the Enron bankruptcy will affect the IPP industry's cost of capital and overall  
13 effectiveness in serving residential customers.
- 14 2. How the western region will address the Federal Energy Regulatory Commission's  
15 ("FERC") controversial cost/benefit analysis of regional transmission organizations  
16 ("RTO").
- 17 3. Whether or when the FERC will attempt to establish some type of power pool in a  
18 western United States RTO strategy.
- 19 4. The unforeseen difficulties that might arise in any Arizona RFP, given that the only  
20 politically acceptable process will require "least-cost" selection.

21 RUCO has recommended that the Commission conduct a least-cost RFP selection for  
22 incremental demand. RUCO's recommendation gives the Commission the opportunity to  
23 model and look at the results of the bidding for incremental load demand. This process will be  
24 difficult enough without taking on the unforeseen difficulties and attendant risks inherent in

1 Panda's recommendation. Further, much remains to be learned about the direction and costs  
2 of the FERC initiatives for "open access" to the transmission grid.

3 Rather than granting Panda's Motion, the Commission should proceed to consider  
4 APS's application, and proceed with the generic docket on electric restructuring. Those  
5 dockets will give the Commission a finer sense of how much time and uncertainty will be  
6 involved in the transition to a competitive wholesale market. The Commission will have a better  
7 idea when large-scale competitive bidding might become appropriate for Standard Offer  
8 customers.

9 RESPECTFULLY SUBMITTED this 5th day of April, 2002.

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11   
12 Scott S. Wakefield  
13 Chief Counsel  
14

15 AN ORIGINAL AND TEN COPIES  
16 of the foregoing filed this 5th day  
of April, 2002 with:

17 Docket Control  
18 Arizona Corporation Commission  
1200 West Washington  
Phoenix, Arizona 85007

19 COPIES of the foregoing hand delivered  
20 this 5th day of April, 2002 to:

21 Lyn Farmer  
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8 All parties of record on the service list  
9 for Consolidated Docket Nos.:

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10 E-01345A-01-0822

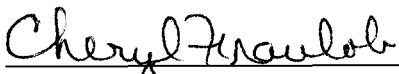
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13 By

  
Cheryl Fraulob

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